

Different Types of Financial Advisors: How does Statherós stack up?

With so many different terms being used to describe the role of a financial advisor, it's important to recognize that not all are created equal. Each is different, offering different services and pricing to help their clients achieve their goals. Let's break it down.

What is the difference between an Investment Advisor and a Broker?

Broadly, the term "financial advisor" refers to anyone that gives you advice about your money, finances, and overall investment picture. This vague term does not define if and how they are licensed, if they are regulated, or how they are compensated.

Let's dive a little deeper to uncover some key attributes for the most common types of financial advisors you may hear referenced in the industry.

- ✓ **Investment Advisor:** An Investment Advisor Representative (IAR) is an individual that has passed an investment advisor examination and works for a Registered Investment Advisor (RIA) firm that is subject to the rules in the Investment Advisors Act of 1940. Small RIAs are typically registered with their state regulators whereas larger firms are typically registered with the Securities and Exchange Commission. Generally, these firms and the advisors they employ are referred to as Investment Advisors.

Investment Advisors get to know their clients' financial goals and objectives and then offer financial advice to help them achieve those goals. They may also offer financial planning which is a more holistic look at your financial picture, and trading services to help you complete transactions.

Investment Advisor fees can be setup a number of ways but most commonly are charged as a percentage of assets under management. Other options include charging a fixed or hourly rate for their services. It is important to note that a "fee-only" advisor is paid solely by their clients, and does not receive commissions or other compensation from the investment products they recommend.

The most important thing to know about Investment Advisors is that they're required to act as fiduciaries for their clients and are held to the best interest standard, meaning all decisions and advice given by the investment advisor must be in their clients' best interest, putting their own interests second.

- ✓ **Broker:** Brokers are representatives, or agents, that have passed an investment broker examination and work for Broker-Dealers, which are firms setup to sell and broker investment transactions between all types of investors, including individuals. They may work with investment advisors to help them decide which securities to buy or sell. Brokers are often paid through a commission structure where they earn a commission or fee based on the investments they sell to their clients.

Broker-Dealers are registered with the Financial Industry Regulatory Authority (FINRA), which is regulated under the Securities and Exchange Act of 1934. Because of this, Broker-Dealers and their broker agents are held to a different set of standards when offering financial advice. Rather than a best interest standard, brokers are subject to a suitability standard. In simple terms, this means the advice they offer to clients must be suitable for their clients' needs, but it does not necessarily need to be in their clients' best interest – a subtle, but important, difference. In other words, a broker is not prohibited from recommending investments that might earn him or her a larger commission so long as that investment meets the general suitability definition.

Now that we know a couple of the most common options out there, let's elaborate on how they can be compensated.

- **Flat fees:** Some financial advisors charge a flat fee on an hourly basis or for specific services like creating a financial plan. Often, financial coaches and some financial planners will charge these types of fees.
- **Assets under management:** Most Investment Advisors charge a percentage fee based on how much of your money they're managing rather than charging for each transaction or trade. This fee structure helps to align the Investment Advisor's revenue potential with the clients' investment performance.

- **Commissions:** Some advisors are paid by commission. They essentially receive a portion of the sale when you buy certain investment products, such as annuities or life insurance policies. Receiving commissions doesn't necessarily mean the advice isn't sound, but it does create the possibility for a conflict of interest when selecting which investment products to recommend.
- **Transaction fees:** In addition to other types of compensation, some broker-dealers charge separate transaction fees for each trade made in your account. You should consider the volume of trading you will do and the overall size of your account when determining if a transaction fee structure is best for you.

So, what is Statherós?

Statherós Financial Solutions, Inc. is a fee-only advisor. All of our advisors are Investment Advisor Representatives (IARs). We are solely a **Registered Investment Advisor (RIA)** with the Securities and Exchange Commission and have no Broker-Dealer affiliation. We always act as a fiduciary and in the best interest of our clients and we have no conflicts of interest to sell you any particular investment product.

We are proud to serve our community and clients as a fee-only advisor. We believe that practicing our craft with honesty and transparency, as well as a commitment to give the best advice for your situation, is the right thing to do. Together, we help our clients reach their financial goals. We plan. *You live.*